

Work Plan

Additional Present Value Cost Estimates

Introduction

The present value (also referred to as present worth) cost estimates presented in the Supplemental Feasibility Study [SFS] (EMSI, 2011) were based on the Office of Management and Budget (OMB) real discount rate of 2.3% (as of 12-2011). EPA's October 12, 2012 letter indicated that the National Remedy Review Board has recommended that present value calculations be performed using a 7% discount rate.

For reference, EPA guidance directs evaluation of alternatives using a 7% discount rate (NCP, OSWER Directives 9355.3-20 and 9355.0-75) for non-federally financed projects. EPA guidance allows for use of lower or higher discount rate than 7% for the FS present value analysis. EPA guidance also requires evaluation of alternatives for federally funded projects to be based on real discount rates found in OMB Circular A-94 (2.3% for 2011). Pursuant to EPA's request, the alternatives will be evaluated using a 7% discount rate. Given that the Department of Energy is a Respondent for OU-1 and therefore federal funds will be used to pay for a portion of any remedial actions that may be implemented at the site and because EPA previously requested that the cost of the alternatives be evaluated using a fiscally-constrained approach in the event that the remedial actions are implemented by EPA as a fund lead site (see EPA January 24, 2011 letter to the Respondents), the cost of the alternatives will also be evaluated using the OMB rate.

Approach

Pursuant to EPA's request, present value cost estimate calculations will be prepared based on both the current OMB rate and a 7% discount rate. Accordingly, the cost estimates presented in the SFS will be updated to include both discount rates as well as any additional estimates to be developed in conjunction with additional evaluations requested by EPA for a Supplemental SFS. The results of these additional estimates will be compared to previous estimates to determine the sensitivity of the cost estimates to the discount rate.

A narrative will also be prepared to explain why both rates are being used for the SFS. The narrative will present a discussion addressing why use of the OMB rate is more appropriate for the SFS based on the following factors:

1. Remedial action for West Lake Landfill OU-1 will be federally-funded (DOE) in part;
2. Fiscally-constrained approaches were identified to address possible Federal (Superfund) funding of the remedial actions; and

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3.0



Superfund

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3. The likelihood of being able to obtain a 7% pre-tax return over the anticipated near-term period of remedy construction is remote.

Deliverables

Interim Deliverable – A brief memorandum will be prepared to present the present value cost estimates for the ROD-selected remedy and the two “complete rad removal” alternatives presented in the SFS based on the OMB rate included in the SFS and a 7% discount rate. Development of cost estimates to be performed in conjunction with the other additional evaluations requested by EPA will also include both the OMB rate and a 7% discount rate.

SFS revisions – the following revisions to the SFS report are anticipated as part of this additional evaluation.

1. Section 6.1.7.3 – Revise text to address use of both 7% discount rate and OMB rate
2. Sections 6.2.1.7, 6.2.2.7, and 6.2.3.7 – Revise the discussion of the present value costs of the alternatives to include both present values based on 7% and OMB discount rates
3. Section 7.2.5 – Revise discussion of present values to include values based on both 7% and OMB discount rates
4. Appendix K – Include present value calculations based on both 7% and OMB discount rates

Please note that at the time the Supplemental SFS is prepared, the present value cost estimates will be updated to reflect the then-current OMB rate, which may differ from the rate used in the SFS or in preparation of the various interim deliverables documenting the results of the additional evaluations requested by EPA.

Clarifications by EPA

No additional clarification is being requested from EPA at this time.

Schedule

Preparation of additional present value cost estimates for the ROD-selected remedy and the two “complete rad removal” alternatives and preparation of a brief summary memorandum of the results of these additional evaluations will take approximately three weeks. Preparation of present value costs associated with the other additional evaluations requested by EPA will be completed in accordance with the schedules for completion of these other evaluations.

Preparation of present value costs using both discount rates for the other evaluations requested by EPA will be performed once EPA comments on the interim deliverables, and in conjunction with preparation of a Supplemental SFS.

References

Engineering Management Support, Inc (EMSI), 2011, Supplemental Feasibility Study, Radiologically-Impacted Material Excavation Alternative Analysis, West Lake Landfill Operable Unit-1, December 16.

United States Environmental Protection Agency (EPA), 2000, A Guide to Developing and Documenting Cost Estimates During the Feasibility Study, EPA 540-R-00-002/OSWER Directive 9355.0-75, July.

EPA, 1993, Memorandum: Revisions to OMB Circular A-94 on Guidelines and Discount Rates for Benefit-Cost Analysis, OSWER Directive No. 9355.3-20, June 25.